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TO RUEHC/SECSTATE WASHDC PRIORITY 6518
INFO RUEAIIA/CIA WASHDC
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RUEPINS/HQ BICE INTEL WASHINGTON DC

UNCLAS AIT TAIPEI 001942

SIPDIS

SENSITIVE, SIPDIS

STATE FOR EAP/TC, ISN/MTR, PM/DTCC FOR BLUE LANTERN COORDINATOR JUDD STITZIEL, AIT/W

E.O. 12958: N/A

TAGS: [ETTC](#) [KOMC](#) [TW](#)

SUBJECT: TAIWAN: RESULTS OF BLUE LANTERN PRE-LICENSE 050055470

REF: STATE 106998

¶1. (SBU) Per reftel, AIT/T visited the foreign consignee, Yang Technology Co., Ltd., and contacted the end user, Taiwan ROC ORDC Army Logistics Command. Based on information gathered and on-site interview, the subject business transaction appears to be legitimate.

Taiwan Army:

¶2. (SBU) AIT/T contacted Mr. Chung, Cheng-Chen, Commodity Management Office of the Taiwan ROC ORDC Army Logistics Command. Mr. Chung stated that he is very familiar with Yang Technology and that Yang Technology has been doing business with the Taiwan Army for many years. Mr. Chung further explained that Yang Technology is considered to be a recognized/official supplier/contractor for the Taiwan Army and the Ministry of National Defense.

¶3. (SBU) Mr. Chung confirmed the type of commodity ordered and stated that the Army ordered two of the subject commodity. Mr. Chung further confirmed that the subject commodity would be used for maintenance of U.S.-made M48 tanks.

Yang Technology:

¶4. (SBU) On August 17, 2007, an AIT/T officer visited Yang Technology located at 2-16 Alley 31, lane 581, Yuan-sha Road, Chung-ho City, Taipei County, the same location as indicated on the license application. We met with Mr. Yang, Chi-Chang, President, and Mr. Yang, Y.C., Vice President (collectively referred to as Yang Technology officials). During the visit, the AIT/T officer examined the contract between the Taiwan Army and Yang Technology; the purchase order from Yang Technology to Flight Source Inc., the U.S. exporter; and the end-use statement for the export license. The commodity and the end-use information on these documents matched the license application information provided in reftel. However, the quantity under contract with Taiwan Army did not match the quantity ordered from Flight Source. The contract between the Army and Yang Technology is for two bearings and the purchase order between Yang Technology and Flight Source is for six bearings.

¶5. (SBU) When asked to explain the discrepancy in quantity, Yang Technology officials explained that the company ordered the extra bearings as spares in case of damage during installation or testing. Extra bearings would be stored by the company for later use. Since the Taiwan Army is conducting a 10-year maintenance program for the M48 tanks, the spares would be used for next year's maintenance contract. Yang Technology officials stated that the company ordered the extra parts to save shipping costs for this low-value item.

¶16. (SBU) Yang Technology officials explained the storage and handling procedures in its warehouse. According to Yang Technology officials, the company has its headquarters in Taipei and has a warehouse in Taichung city. Items imported from the United States are shipped directly to Taichung for assembly and then sent to end-users. For low-value and physically small items such as subject bearings, the company will store them in a small warehouse that is part of its Taipei office.

¶17. (SBU) For the Taipei warehouse, when an item in the warehouse is needed, a delivery slip is prepared by a staff; the President or the Vice President then approves the delivery; the item is shipped to Taichung for assembly; and an entry made into the computer inventory system. The company also conducts a monthly physical inventory which is reconciled with the computer inventory system. For the Taichung warehouse, the processing is similar except for the shipment part. This warehouse is monitored by an electronic security system. Yang Technology officials added that the warehouse in Taichung is used to store bulk items and to assemble parts before delivery to end-user.

¶18. (SBU) Yang Technology was established on 1984 as a sole proprietorship. Its primary business line was the manufacture of hardware, goods, and components for the automobile industry. Mr. Yang, Chi-Chang was the principal of the company. In 1989, the company changed its business line to be a contractor to the Taiwan Army. It also changed its corporate status to a limited liability corporation. The Taiwan Army continues to be its sole customer.

¶19. (SBU) Yang Technology has fourteen employees in its Taipei office and eight in Taichung. It has seven shareholders and four officers: a chairperson, general manager, vice president and treasurer.

¶110. (SBU) Yang Technology officials stated they are familiar with U.S. rules on munitions controls, especially prohibitions against unauthorized re-transfers and re-exports. They expressed concerns regarding the length of time it takes to get a U.S. license and requested speedy decision on this license application.

¶111. (SBU) Based on the site visit and information gathered from the Taiwan Army, Yang Technology appears to be reliable recipient of USML items.

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